

SUPERIOR COURT OF CALIFORNIA

County of San Diego

DATE: July 20, 2006 DEPT. 71 REPORTER A: CSR#

PRESENT HON. RONALD S. PRAGER REPORTER B: CSR#

JUDGE

CLERK: K. Sandoval

BAILIFF: REPORTER'S ADDRESS: P.O. BOX 120128
SAN DIEGO, CA 92112-4104

MINUTE ORDER

IN RE: JCCP 4221/4224/4226&4428 – Natural Gas Anti-Trust Cases (Price Indexing)

The attached Court's ruling regarding **RELIANT MOTION TO QUASH SERVICE** applies to all cases listed as follows:

4221-00020	UYEDAs CENTERPOINT ENERGY INC
4221-00021	BENSCHIEDT vs AEP ENERGY SERVICES INC
4221-00022	COUNTY OF SANTA CLARA vs SEMPRA ENERGY
4221-00023	CITY AND COUNTY OF SAN FRANCISCO vs SEMPRA ENERGY
4221-00024	COUNTY OF SAN DIEGO vs SEMPRA ENERGY
4221-00025	OLDER vs SEMPRA ENERGY
4221-00026	CITY OF SAN DIEGO vs SEMPRA ENERGY
4221-00027	TAMCO vs DYNEGY INC
4221-00028	A L GILBERT COMPANY vs CORAL ENERGY RESOURCES LP
4221-00029	OBERTI WHOLESALE FOOD INC vs ENCANA ENERGY SERVICES INC
4221-00030	BROWN vs ENCANA ENERGY SERVICES INC
4221-00031	LOIS THE PIE QUEEN vs ENCANA ENERGY SERVICES INC
4221-00032	VITTICE CORPORATION vs ENCANA CORPORATION
4221-00033	COUNTY OF ALAMEDA vs SEMPRA ENERGY
4221-00034	THE REGENTS OF THE UNIVERSITY OF CALIFORNIA vs RELIANT ENERGY SERVICES INC
4221-00035	SCHOOL PROJECT FOR UTILITY RATE REDUCTION vs SEMPRA ENERGY
4221-00036	ASSOCIATION OF BAY AREA GOVERNMENTS vs SEMPRA ENERGY
4221-00037	OWENS-BROCKWAY GLASS CONTAINER INC vs SEMPRA ENERGY
4221-00038	TEAM DESIGN DBA TIMOTHY ENGELN INC vs RELIANT ENERGY INC
4221-00039	CITY OF LOS ANGELES DEPARTMENT OF WATER AND POWER vs RELIANT ENERGY SERVICES INC
4221-00040	SACRAMENTO MUNICIPAL UTILITY DISTRICT vs RELIANT ENERGY SERVICES INC
4221-00041	SHANGHAI 1930 RESTAURANT PARTNERS LP vs ENCANA ENERGY SERVICES INC
4221-00042	PODESTA vs ENCANA ENERGY SERVICES INC

4221-00043 NURSERYMAN'S EXCHANGE OF HALF MOON BAY vs SEMPRA ENERGY
4221-00044 COUNTY OF SAN MATEO vs SEMPRA ENERGY
4221-00045 BUSTAMANTE vs WILLIAMS ENERGY SERVICES
4221-00046 PABCO BUILDING PRODUCTS vs DYNEGY INC
4221-00047 BOARD OF TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY vs DYNEGY INC

Specially Appearing Defendant Reliant Energy Incorporated 's ("REI") motion to quash service of summons for lack of personal jurisdiction is **DENIED**.

Code of Civil Procedure section 410.10 allows California courts to exercise jurisdiction of a nonresident defendant on any basis that is not inconsistent with state or federal constitutional principles. *Sonora Diamond Corp. v. Superior Court*, 83 Cal. App. 4th 523, 535 (2000). The general rule is that a court can exercise jurisdiction where the defendant 's "minimum contacts" are sufficient to make the maintenance of the action inoffensive to the tradition concepts of fair play and substantial justice. Minimum contacts exist where the defendant 's conduct is such that the defendant should reasonably anticipate being subject to suit in the state. (citation omitted). *Id.* The concept of minimum contacts is based upon two types of jurisdiction, general and specific.

General jurisdiction results where the defendant's contacts with the forum state are so "systematic and so continuous as to make it consistent with traditional notions of fair play and substantial justice to subject the defendant to the jurisdiction of the forum, even where the cause of action is unrelated to the contacts." (citation omitted).

...

Specific jurisdiction results when the defendant's contacts with the forum state, though not enough to subject the defendant to the general jurisdiction of the forum, are sufficient to subject the defendant to suit in the forum on a cause of action related to or arising out of those contacts. (citations omitted). Specific jurisdiction exists if: (1) the defendant has purposefully availed itself of forum benefits with respect to the matter in controversy; (2) the controversy is related to or arises out of the defendant's contacts with the forum; and (3) the assertion of jurisdiction would comport with fair play and substantial justice. (citations omitted).

Id. at 536.

REI purposefully targeted California. REI participated in facilitation of the wrongful "churning" and "wash" trades by RES. Ms. Zanaboni conducted her unlawful trades from her apartment in California. In addition, there is evidence that Mr. Perkins and other REI (or Former REI) officers or employees, who assert that they were actually employed by Reliant Energy Wholesale Services, (REWS) or Reliant Energy Corporate Services, were actually employed by REI. (Nifong Depo. 12:8-15; 13:20-14:5; Johanessen depo, p. 12:18 – 14:7).

REI entering into guaranty agreements with California utilities in 2001 and 2002 constitute "purposeful availment." (Exs. 34-43). *See Seagate Technology v. A.J.Kogyo company, Ltd*, 219 Cal. App. 3d 696, 704 (1990). In addition, several of the guaranties expressly involve the protection of California law and/or specify California forums. (Exs. 34, 35, 37 and 41). For example, in 2002, REI issued a guaranty agreement on behalf of its subsidiary RES. The guaranty designates California law as the governing law and Los Angeles as the venue for legal action. (Exhibit 1 to Declaration of Mario C. Ignacio). As a result, REI has purposely availed itself of the privilege of conducting business

in California. Not only did it sign the guaranty, but it admits that it is receiving "substantial and direct benefits" from the contracts with Los Angeles. (Ex. 1 to Declaration of Mario C. Ignacio)

REI's contacts with California are "substantially connected" to Plaintiffs' antitrust and market manipulation claims. In addition, the guaranties REI provided on behalf of RES were directly related to RES' natural gas trading business, which is central to this case.

The exercise of jurisdiction over REI comports with "fair play and substantial justice." REI availed itself of the benefits of conducting business in California by selling natural gas and electricity and engaging in a comprehensive public relations campaign here. REI conducted an extensive public relations campaign in California in order to create a favorable impression for Reliant energy and REI. (Ex. 47, pp. 73:23-74:10, 77:21-78:19, 85:5-86:4, 88:13-92:3 etc.)

It invoked the protection of California law. It consented to the jurisdiction of California courts. REI is also subject to jurisdiction in California because of the office space it leased in California. (Ex. 65, p. 56:1-12, Ex. 64).

This Court may exercise jurisdiction over REI pursuant to the doctrine of agency. The natural gas trading and power marketing conducted by REI's subsidiary, RES, is an essential part of REI's power generation business. Natural gas powered plants, like the California power plants, operated by REI's subsidiaries require a reliable supply of natural gas. In addition, to ensure coordination of power generation and RES' trading activity, a detailed daily report of the California power plants' hedging activities, the Strategic Asset Report, was provided to REI senior management. (Ex 15, Ex. 25). The heads of the RES gas and power trading desks reported directly to the Chief Executive Officer of REI. (Ex. 6, p. 47).

The "representative services doctrine" supports the exercise of jurisdiction when local subsidiary performs a function that is compatible with and assists the parent in the pursuit of the parent's own business." *Sonora Diamond*, 83 Cal. App. 4th at 543. As with Former REI, RES' natural gas and power trading expertise was essential to the power generation business of REI's "wholesale group." This, along with all the factors previously stated, subjects REI to the jurisdiction of this Court.

IT IS SO ORDERED